

CITY OF MOVILLE

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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CITY OF MOVILLE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nancy Hone	Mayor	January 2012
Richard Nash	Council Member	January 2012
Steve Thomas	Council Member	January 2012
Al Wingert	Council Member	January 2012
George Allan	Council Member	January 2014
Kirk Lubbers	Council Member	January 2014
Jackie Stender	Clerk	Indefinite
Glenn Metcalf	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Menville, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of City of Menville, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2010, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of City of Menville as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012, on our consideration of City of Menville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 20 and 21 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

City of Merville, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Merville's basic financial statements. Supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 15, 2012

Henzelman, Putzler & Co.

CITY OF MOVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit A

		Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for	Operating	Capital	Governmental	Business Type	Total
Functions/Programs:	Disbursements	Service	Grants and Contributions	Grants and Contributions	Activities	Activities	
Governmental activities:							
Public safety	\$ 207,901	\$ 2,427	\$ 35,288	\$ 44,150	\$ (126,036)	\$ -	\$ (126,036)
Public works	286,623	114,143	157,201	-	(15,279)	-	(15,279)
Culture and recreation	236,016	35,724	21,260	46,777	(132,255)	-	(132,255)
General government	145,102	3,532	21,600	-	(119,970)	-	(119,970)
Debt service	143,879	-	-	-	(143,879)	-	(143,879)
Total governmental activities	<u>1,019,521</u>	<u>155,826</u>	<u>235,349</u>	<u>90,927</u>	<u>(537,419)</u>	<u>-</u>	<u>(537,419)</u>
Business type activities:							
Water	145,320	162,160	-	-	-	16,840	16,840
Sewer	181,041	170,663	-	-	-	(10,378)	(10,378)
Total business type activities	<u>326,361</u>	<u>332,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,462</u>	<u>6,462</u>
Total	<u>\$ 1,345,882</u>	<u>\$ 488,649</u>	<u>\$ 235,349</u>	<u>\$ 90,927</u>	<u>(537,419)</u>	<u>6,462</u>	<u>(530,957)</u>
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					290,818	-	290,818
Debt service					68,391	-	68,391
Tax increment financing					24,000	-	24,000
Local option sales tax					175,917	-	175,917
Cable TV franchise tax					10,475	-	10,475
Unrestricted interest on investments					3,253	4,452	7,705
Miscellaneous					4,897	-	4,897
Transfers					33,855	(33,855)	-
Total general receipts and transfers					<u>611,606</u>	<u>(29,403)</u>	<u>582,203</u>
Change in cash basis net assets					74,187	(22,941)	51,246
Cash basis net assets beginning of year					<u>536,608</u>	<u>262,932</u>	<u>799,540</u>
Cash basis net assets end of year					<u>\$ 610,795</u>	<u>\$ 239,991</u>	<u>\$ 850,786</u>

(continued)

CITY OF MOVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit A
(continued)

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Charges for	Operating	Capital	Governmental	Business Type	
<u>Disbursements</u>	<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
		<u>Contributions</u>	<u>Contributions</u>			
Cash Basis Net Assets						
Restricted:						
Expendable:						
Streets				\$ 156,586	\$ -	\$ 156,586
Debt service				1,169	35,000	36,169
Unrestricted				453,040	204,991	658,031
Total cash basis net assets				<u>\$ 610,795</u>	<u>\$ 239,991</u>	<u>\$ 850,786</u>

See notes to financial statements.

CITY OF MOVILLE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B

	Special Revenue					Total
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Debt Service	
Receipts:						
Property tax	\$ 290,818	\$ -	\$ -	\$ -	\$ 68,391	\$ 359,209
Tax increment financing	-	-	-	24,000	-	24,000
Other city tax	10,475	-	175,917	-	-	186,392
Licenses and permits	5,959	-	-	-	-	5,959
Use of money and property	25,858	-	-	-	-	25,858
Intergovernmental	77,989	153,407	-	-	-	231,396
Charges for service	131,500	-	-	-	-	131,500
Miscellaneous	91,745	3,794	-	-	-	95,539
Total receipts	<u>634,344</u>	<u>157,201</u>	<u>175,917</u>	<u>24,000</u>	<u>68,391</u>	<u>1,059,853</u>
Disbursements:						
Operating:						
Public safety	207,901	-	-	-	-	207,901
Public works	161,811	124,812	-	-	-	286,623
Culture and recreation	236,016	-	-	-	-	236,016
General government	145,102	-	-	-	-	145,102
Debt service	-	-	-	-	143,879	143,879
Total disbursements	<u>750,830</u>	<u>124,812</u>	<u>-</u>	<u>-</u>	<u>143,879</u>	<u>1,019,521</u>
Excess (deficiency) of receipts over disbursements	<u>(116,486)</u>	<u>32,389</u>	<u>175,917</u>	<u>24,000</u>	<u>(75,488)</u>	<u>40,332</u>
Other financing sources (uses):						
Operating transfers in	199,917	-	-	-	75,994	275,911
Operating transfers out	-	(42,139)	(175,917)	(24,000)	-	(242,056)
Total other financing sources (uses)	<u>199,917</u>	<u>(42,139)</u>	<u>(175,917)</u>	<u>(24,000)</u>	<u>75,994</u>	<u>33,855</u>
Net change in cash balances	83,431	(9,750)	-	-	506	74,187
Cash balances beginning of year	<u>369,609</u>	<u>166,336</u>	<u>-</u>	<u>-</u>	<u>663</u>	<u>536,608</u>
Cash balances end of year	<u>\$ 453,040</u>	<u>\$ 156,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ 610,795</u>

CITY OF MOVILLE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B
 (continued)

	<u>Special Revenue</u>					<u>Total</u>
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>	
Cash Basis Fund Balances						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 1,169	\$ 1,169
Streets	-	156,586	-	-	-	156,586
Unassigned	453,040	-	-	-	-	453,040
Total cash basis fund balances	<u>\$ 453,040</u>	<u>\$ 156,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ 610,795</u>

See notes to financial statements.

CITY OF MOVILLE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C

	<u>Enterprise</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 162,160	\$ 170,663	\$ 332,823
Operating disbursements:			
Business type activities	<u>145,320</u>	<u>181,041</u>	<u>326,361</u>
Excess (deficiency) of operating receipts over operating disbursements	16,840	(10,378)	6,462
Non-operating receipts:			
Interest on investments	<u>1,679</u>	<u>2,773</u>	<u>4,452</u>
Excess (deficiency) of receipts over disbursements	18,519	(7,605)	10,914
Operating transfers out	<u>-</u>	<u>(33,855)</u>	<u>(33,855)</u>
Net change in cash balances	18,519	(41,460)	(22,941)
Cash balances beginning of year	<u>175,641</u>	<u>87,291</u>	<u>262,932</u>
Cash balances end of year	<u>\$ 194,160</u>	<u>\$ 45,831</u>	<u>\$ 239,991</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ 35,000	\$ 35,000
Unrestricted	<u>194,160</u>	<u>10,831</u>	<u>204,991</u>
Total cash basis fund balances	<u>\$ 194,160</u>	<u>\$ 45,831</u>	<u>\$ 239,991</u>

See notes to financial statements.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Merville is a political subdivision of the State of Iowa located in Woodbury County. It was first incorporated in 1889 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer services for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Merville has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City. The City of Merville has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of or appoint representatives to the following boards and commissions: Woodbury County Assessor's Conference Board, Woodbury County Joint Disaster Services Commission, Woodbury County E911 Service Board, and Woodbury County Area Solid Waste Agency.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation – (Continued)

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and, (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the main operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for monies received to be used for property tax relief and other purposes as determined by the City Council.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

City of Moville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting – (Continued)

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the general government, debt service, and business type activities functions.

2. CASH

The City's deposits in banks at June 30, 2011, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement 40.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

2. CASH – (Continued)

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. BONDS/NOTES PAYABLE AND OTHER FINANCING AGREEMENTS

Annual debt service requirements to maturity for general obligation bonds and capital loan notes, and sewer revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 77,000	\$ 30,632	\$ 24,000	\$ 9,330	\$ 101,000	\$ 39,962
2013	77,000	27,598	25,000	8,610	102,000	36,208
2014	84,000	24,519	26,000	7,860	110,000	32,379
2015	84,000	21,121	26,000	7,080	110,000	28,201
2016	92,000	17,673	27,000	6,300	119,000	23,973
2017-2021	337,000	39,559	150,000	18,750	487,000	58,309
2022	-	-	33,000	990	33,000	990
	<u>\$ 751,000</u>	<u>\$ 161,102</u>	<u>\$ 311,000</u>	<u>\$ 58,920</u>	<u>\$ 1,062,000</u>	<u>\$ 220,022</u>

Sewer Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$500,000 in sewer revenue bonds issued in June 2002. Proceeds from the notes provided financing to pay a portion of the cost of constructing improvements and extensions to the sewer system. The notes are payable solely from sewer customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the notes is \$369,920. For the current year, principal and interest paid and total customer net receipts were \$33,020 and \$(10,378) respectively.

The resolution providing for the issuance of the sewer revenue notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a separate sewer revenue sinking account for the purpose of making the note principal and interest payments when due.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

3. BONDS/NOTES PAYABLE AND OTHER FINANCING AGREEMENTS – (Continued)

Loan Agreements

On August 31, 2004, the City entered into a loan agreement with a local business person to purchase the building currently used as city hall for \$250,000 with \$50,000 due at closing. The remaining balance bears interest at 4.50% with fixed semi annual payments and matures on September 1, 2016. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	4.50%	\$ 16,666	\$ 3,719	\$ 20,385
2013	4.50	16,666	3,011	19,677
2014	4.50	16,666	2,303	18,969
2015	4.50	16,666	1,593	18,259
2016	4.50	16,666	885	17,551
2017	4.50	8,337	177	8,514
		<u>\$ 91,667</u>	<u>\$ 11,688</u>	<u>\$ 103,355</u>

4. CAPITAL LEASE PURCHASE AGREEMENT

On July 1, 2010, the City entered into a capital lease purchase agreement for a John Deere loader. The following is a schedule of the future minimum lease payments, including interest at 3.45% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2011:

Year Ending June 30,	John Deere Loader
2012	\$ 15,707
2013	15,707
2014	15,707
2015	15,707
2016	15,577
Total minimum lease payments	78,405
Less amount representing interest	(7,495)
Present value of net minimum lease payments	<u>\$ 70,910</u>

There were no payments made on this capital lease during the year ended June 30, 2011.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

5. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2011, was \$18,895, equal to the required contribution for the year.

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit

Vacation	\$ <u>8,695</u>
----------	-----------------

This liability has been computed based on rates of pay in effect at June 30, 2011.

7. SERVICE AGREEMENTS

The City has an agreement with CHN Garbage Services for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$66,061 for the year ended June 30, 2011.

8. INTERGOVERNMENTAL AGREEMENT

The City entered into an agreement with the Woodbury County Area Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste from within the City. For the year ended June 30, 2011, \$51,670 was paid pursuant to the agreement.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill was closed during the fall of 2006 and the post-closure costs to the Agency have been estimated at \$401,240, as of June 30, 2010. The Agency has accumulated the resources necessary to fund these costs and, as of June 30, 2010, deposits of \$401,240 are restricted for these purposes. No estimate has been made regarding the effect of future assessments to the City.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

9. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 175,917
	Tax Increment Financing	24,000
		<u>199,917</u>
Debt Service	Special Revenue:	
	Road Use Tax	42,139
	Enterprise:	
	Sewer	33,855
		<u>75,994</u>
Total		<u>\$ 275,911</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

10. RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$33,111.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

10. RISK MANAGEMENT – (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 5 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$408 for single coverage and \$999 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$28,007 and plan members eligible for benefits contributed \$10,153 to the plan.

12. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$12,228 during the year ended June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOVILLE
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES –
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final To Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 359,209	\$ -	\$ 359,209	\$ 341,206	\$ 341,206	\$ 18,003
Tax increment financing	24,000	-	24,000	18,000	18,000	6,000
Other city tax	186,392	-	186,392	177,889	177,889	8,503
Licenses and permits	5,959	-	5,959	5,075	5,075	884
Use of money and property	25,858	4,452	30,310	31,500	31,500	(1,190)
Intergovernmental	231,396	-	231,396	226,200	226,200	5,196
Charges for service	131,500	332,823	464,323	471,000	471,000	(6,677)
Miscellaneous	95,539	-	95,539	19,000	19,000	76,539
Total receipts	<u>1,059,853</u>	<u>337,275</u>	<u>1,397,128</u>	<u>1,289,870</u>	<u>1,289,870</u>	<u>107,258</u>
Disbursements:						
Public safety	207,901	-	207,901	227,713	227,713	19,812
Public works	286,623	-	286,623	297,238	327,238	40,615
Culture and recreation	236,016	-	236,016	209,606	274,606	38,590
Community and economic development	-	-	-	20,000	20,000	20,000
General government	145,102	-	145,102	124,398	124,398	(20,704)
Debt service	143,879	-	143,879	143,829	143,829	(50)
Business type activities	-	326,361	326,361	302,398	302,398	(23,963)
Total disbursements	<u>1,019,521</u>	<u>326,361</u>	<u>1,345,882</u>	<u>1,325,182</u>	<u>1,420,182</u>	<u>74,300</u>
Excess (deficiency) of receipts over disbursements	40,332	10,914	51,246	(35,312)	(130,312)	181,558
Other financing sources (uses)	<u>33,855</u>	<u>(33,855)</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>(65,000)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	74,187	(22,941)	51,246	(35,312)	(65,312)	116,558
Balances, beginning of year	<u>536,608</u>	<u>262,932</u>	<u>799,540</u>	<u>665,149</u>	<u>665,149</u>	<u>134,391</u>
Balances, end of year	<u>\$ 610,795</u>	<u>\$ 239,991</u>	<u>\$ 850,786</u>	<u>\$ 629,837</u>	<u>\$ 599,837</u>	<u>\$ 250,949</u>

See accompanying independent auditor's report.

CITY OF MOVILLE
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – BUDGETARY REPORTING
JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2011 the budget was amended one time which increased budgeted disbursements by \$95,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the general government, debt service, and business type activities functions.

SUPPLEMENTARY INFORMATION

CITY OF MOVILLE
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2011

Schedule 1

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General obligation bonds and capital loan notes:								
Community center and library bonds	August 15, 2005	3.40-4.10%	\$ 750,000	\$ 590,000	\$ -	\$ 45,000	\$ 545,000	\$ 22,435
Street improvement capital loan notes	August 15, 2006	4.70%	320,000	<u>237,000</u>	<u>-</u>	<u>31,000</u>	<u>206,000</u>	<u>11,139</u>
Total				<u>\$ 827,000</u>	<u>\$ -</u>	<u>\$ 76,000</u>	<u>\$ 751,000</u>	<u>\$ 33,574</u>
Loan agreement:								
City hall	August 31, 2004	4.50%	\$ 250,000	<u>\$ 108,333</u>	<u>\$ -</u>	<u>\$ 16,666</u>	<u>\$ 91,667</u>	<u>\$ 4,427</u>
Revenue capital loan notes:								
Sewer	June 18, 2002	3.00%	\$ 500,000	<u>\$ 334,000</u>	<u>\$ -</u>	<u>\$ 23,000</u>	<u>\$ 311,000</u>	<u>\$ 10,020</u>
Lease-purchase agreement:								
John Deere loader	July 1, 2010	3.45%	\$ 70,910	<u>\$ -</u>	<u>\$ 70,910</u>	<u>\$ -</u>	<u>\$ 70,910</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF MOVILLE
BOND AND NOTE MATURITIES
JUNE 30, 2011

Schedule 2

Year Ending June 30	General Obligation					Revenue Notes	
	Community Center and Library		Street Improvement		Total	Sewer Improvement	
	Issued August 15, 2005		Issued August 15, 2006			Issued June 18, 2002	
	Rates	Amount	Rates	Amount		Rates	Amount
2012	3.40%	\$ 45,000	4.70%	\$ 32,000	\$ 77,000	3.00%	\$ 24,000
2013	3.50	45,000	4.70	32,000	77,000	3.00	25,000
2014	3.60	50,000	4.70	34,000	84,000	3.00	26,000
2015	3.70	50,000	4.70	34,000	84,000	3.00	26,000
2016	3.80	55,000	4.70	37,000	92,000	3.00	27,000
2017	3.90	55,000	4.70	37,000	92,000	3.00	28,000
2018	4.00	55,000	-	-	55,000	3.00	29,000
2019	4.05	60,000	-	-	60,000	3.00	30,000
2020	4.10	65,000	-	-	65,000	3.00	31,000
2021	4.10	65,000	-	-	65,000	3.00	32,000
2022		-		-	-	3.00	33,000
		\$ 545,000		\$ 206,000	\$ 751,000		\$ 311,000

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Menville, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of City of Menville, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 15, 2012. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Menville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Menville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Menville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-11, I-B-11, I-C-11, I-D-11 and I-E-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Menville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Menville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Menville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Menville, and other parties to whom City of Menville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

February 15, 2012

Hungelman, Pritzler & Co.

CITY OF MOVILLE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- I-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City of Menville will review its procedures and rotate duties.

Conclusion - Response accepted.

- I-B-11 Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response - The City of Menville will continue to provide educational opportunities for its employees to get a better understanding of accounting practices.

Conclusion - Response accepted.

- I-C-11 Reconciliation of Utility Billings, Collections, and Delinquencies - Utility billings, collections, and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections, and delinquencies for each billing period. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response - We will reconcile utility bills, and will present information regarding delinquent accounts to the council each month.

Conclusion - Response accepted.

CITY OF MOVILLE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements: - (Continued)

INTERNAL CONTROL DEFICIENCIES: - (Continued)

I-D-11 Cancellation of Invoices - We noted that invoices were not marked paid to help prevent duplicate payment.

Recommendation - All invoices should be properly canceled to prevent reuse.

Response – The Clerk will purchase a stamp for distinguishing paid invoices.

Conclusion – Response accepted.

I-E-11 Disbursements - We noted several disbursements which were not included on the list of disbursements approved by the Council.

Recommendation - The City should include all disbursements on the monthly list of bills to be approved by the Council.

Response – The Clerk will verify and confirm that all disbursements are listed on the approval list.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - Disbursements during the year ended June 30, 2011, exceeded the amount budgeted in the general government, debt service, and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public moneys may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Budgeting will be reviewed to ensure budget amendments are sufficient.

Conclusion – Response accepted.

II-B-11 Questionable Disbursements - We noted that there was a \$3,500 lump sum payment made to the cemetery.

Recommendation - The City should pay actual bills representing a proper expenditure of public funds.

Response – The Council will pay bills instead of lump sum disbursements.

Conclusion – Response accepted.

II-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF MOVILLE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-D-11 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Nancy Hone, Council Member, Brother owns J&J Motor	Maintenance and repairs	\$12,228

In accordance with chapter 362.5(k) of the Code of Iowa, the above transactions may be a conflict of interest since total transactions were more than \$2,500 during the fiscal year.

Recommendation - The City should review these transactions closely and may want to consult their attorney to determine that they are in compliance with the Code of Iowa.

Response - As a small city, there are only two options for auto repairs and maintenance in town. Since this report was written, Nancy is no longer on the Council, and the brother has sold his business.

Conclusion - Response accepted.

- II-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. However, the minutes are not being properly signed, and although minutes of Council proceedings are being published, they were not always published within fifteen days of the meeting. Also, published minutes do not include a summary of receipts.

Recommendation - The City should ensure that minutes are properly signed and published as required by the Code of Iowa.

Response - The Clerk and Deputy will keep track of publications and request signatures on a regular basis.

Conclusion - Response accepted.

- II-G-11 Revenue Bonds - The City has established the sinking fund required by the sewer revenue bond resolution. The City did not, however, meet the net revenues requirement of the sewer revenue bond resolution which requires the Sewer utility to produce net revenues that are not less than 110% of the principal and interest requirements coming due for the year.

Recommendation - The City should review its sewer rates and ensure the rates are sufficient enough to generate the required net revenues.

Response - Two large unplanned expenses occurred during the year, but the rates are set to increase in June 2012 to help meet the requirements.

Conclusion - Response accepted.

CITY OF MOVILLE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-H-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa. However, the investment policy was last reviewed several years ago and since that time, certain sections of the Code of Iowa dealing with the investment policy have been changed.

Recommendation - The City Council should review and approve the investment policy periodically and update the Iowa Code references.

Response – The investment policy will be reviewed and updated.

Conclusion – Response accepted.

- II-I-11 Payment of General Obligation Bonds - Payments on some of the City's general obligation debt were made from the general fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - Payments made on general obligation debt should only be made from the debt service fund.

Response – All general obligation debt payments will be made through the debt service fund.

Conclusion – Response accepted.

- II-J-11 City Code of Ordinances - The City has not compiled the City ordinances within the past five years.

Recommendation - Chapter 380.8 of the Code of Iowa states in part, "At least once every five years, a city shall compile a Code of ordinances containing all City ordinances in effect, except grade ordinances, bond ordinances, zoning ordinances, and ordinances vacating streets and alleys". The City should compile the City ordinances as required.

Response – The Council has budgeted for the codification process to start in July 2012.

Conclusion – Response accepted.

- II-K-11 Transfers - Transfers made during the year exceeded amounts budgeted and specific approval of the transfers was not noted in the Council minutes.

Recommendation - Transfers should be budgeted or approved by the Council.

Response – Transfers will be approved by the Council and included in the minutes.

Conclusion – Response accepted.

CITY OF MOVILLE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-L-11 Payroll Tax Returns – We noted that the Employer's Quarterly Federal Tax Return was not filed in a timely manner for the 1st and 2nd quarters of 2011. Also, the October 2010 wages were incorrectly reported to IPERS.

Recommendation – The City should ensure that all reports are filed when due and they contain the correct information.

Response – The payroll issues have been resolved, and a corrected report was made to IPERS.

Conclusion – Response accepted.

- II-M-11 Form 1099 - The Internal Revenue Service requires that Form 1099 be prepared when disbursements for services to a non-corporate entity exceed \$600 in a calendar year. The City is currently not issuing 1099's.

Recommendation - The City should monitor yearly disbursements by vendor and issue a Form 1099 if required.

Response – The Clerk will prepare 1099's as required by the Internal Revenue Service for all vendors paid over \$600.

Conclusion – Response accepted.